

CITY OF IDA GROVE

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2010

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CITY OF IDA GROVE

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January, 2010)		
Dennis Ernst	Mayor	January 2010
Paul Bargar	Council Member	January 2010
Craig Rupert	Council Member	January 2010
Bill Carnine	Council Member	January 2012
Paul Cates	Council Member	January 2012
Robert Fineran	Council Member	January 2012
Edie Ball	Clerk	Indefinite
Connie Pfleeger	Deputy Clerk/Treasurer	Resigned December 2009
Karen Gunderson	Deputy Clerk/Treasurer	Appointed October 2009
Laurel Boerner	Attorney	Indefinite
(After January, 2010)		
Dennis Ernst	Mayor	January 2014
Bill Carnine	Council Member	January 2012
Paul Cates	Council Member	January 2012
Robert Fineran	Council Member	January 2012
Doug Clough	Council Member	January 2014
Craig Rupert	Council Member	January 2014
Edie Ball	Clerk	Indefinite
Karen Gunderson	Deputy Clerk/Treasurer	Indefinite
Laurel Boerner	Attorney	Indefinite

HUNZELMAN, PUTZIER & CO., PLC  
CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.  
RICHARD R. MOORE, C.P.A.  
WESLEY E. STILLE, C.P.A. (RETIRED)  
KENNETH A. PUTZIER, C.P.A. (RETIRED)  
W.J. HUNZELMAN, C.P.A. 1921-1997

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Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council  
Ida Grove, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Ida Grove, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Ida Grove as of June 30, 2010, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2011, on our consideration of City of Ida Grove's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Budgetary comparison information on pages 18 and 19 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

City of Ida Grove, Iowa, has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Ida Grove's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for each of the years in the seven year period ended June 30, 2009 (which are not presented herein), and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

February 21, 2011

*Hungelman, Putzier & Co.*

CITY OF IDA GROVE  
STATEMENT OF ACTIVITIES AND NET ASSETS – CASH BASIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

Exhibit A

Functions/Programs:	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			Component Unit
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business Type Activities	Total	
<b>Governmental activities:</b>								
Public safety	\$ 476,719	\$ 6,212	\$ 55,215	\$ -	\$ (415,292)	\$ -	\$ (415,292)	\$ -
Public works	497,260	24,968	222,915	65,718	(183,659)	-	(183,659)	-
Health and social services	6,693	1,928	-	-	(4,765)	-	(4,765)	-
Culture and recreation	379,793	166,329	49,438	122,124	(41,902)	-	(41,902)	-
Community and economic development	125,000	-	-	-	(125,000)	-	(125,000)	-
General government	211,800	5,723	10,467	-	(195,610)	-	(195,610)	-
Debt service	166,612	-	-	-	(166,612)	-	(166,612)	-
Capital projects	458,523	-	-	200,000	(258,523)	-	(258,523)	-
<b>Total governmental activities</b>	<b>2,322,400</b>	<b>205,160</b>	<b>338,035</b>	<b>387,842</b>	<b>(1,391,363)</b>	<b>-</b>	<b>(1,391,363)</b>	<b>-</b>
<b>Business type activities:</b>								
Water	190,956	286,821	-	-	-	95,865	95,865	-
Sewer	407,005	153,986	-	-	-	(253,019)	(253,019)	-
Solid Waste	139,946	141,079	-	-	-	1,133	1,133	-
<b>Total business type activities</b>	<b>737,907</b>	<b>581,886</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(156,021)</b>	<b>(156,021)</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 3,060,307</b>	<b>\$ 787,046</b>	<b>\$ 338,035</b>	<b>\$ 387,842</b>	<b>(1,391,363)</b>	<b>(156,021)</b>	<b>(1,547,384)</b>	<b>-</b>
<b>Component Unit:</b>								
Ida Grove Community Rec Center								
Endowment Trust	\$ 10,168	\$ -	\$ -	\$ -	-	-	-	(10,168)
<b>General Receipts and Transfers:</b>								
Property and other city tax levied for:								
General purposes					708,672	-	708,672	-
Debt service					14,234	-	14,234	-
Tax increment financing					42,301	-	42,301	-
Local option sales tax					175,340	-	175,340	-
Hotel-motel tax					29,250	-	29,250	-
Unrestricted interest on investments					9,148	-	9,148	9,954
MTBE-settlement					34,718	-	34,718	-
Miscellaneous					21,427	-	21,427	-
Transfers					67,200	(67,200)	-	-
<b>Total general receipts and transfers</b>					<b>1,102,290</b>	<b>(67,200)</b>	<b>1,035,090</b>	<b>9,954</b>
<b>Change in cash basis net assets</b>					<b>(289,073)</b>	<b>(223,221)</b>	<b>(512,294)</b>	<b>(214)</b>
<b>Cash basis net assets beginning of year</b>					<b>1,278,042</b>	<b>690,328</b>	<b>1,968,370</b>	<b>257,031</b>
<b>Cash basis net assets end of year</b>					<b>\$ 988,969</b>	<b>\$ 467,107</b>	<b>\$ 1,456,076</b>	<b>\$ 256,817</b>

(continued)

CITY OF IDA GROVE  
STATEMENT OF ACTIVITIES AND NET ASSETS – CASH BASIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

Exhibit A  
(continued)

	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Assets				
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business Type Activities	Total	
Cash Basis Net Assets								
Restricted:								
Streets				\$ 365,410	\$ -	\$ 365,410	\$ -	
Tax increment financing projects				136,790	-	136,790	-	
Debt service				(532)	-	(532)	-	
Other purposes				490,095	-	490,095	-	
Ida Grove Community Rec Center				-	-	-	256,817	
Unrestricted				(2,794)	467,107	464,313	-	
Total cash basis net assets				<u>\$ 988,969</u>	<u>\$ 467,107</u>	<u>\$ 1,456,076</u>	<u>\$ 256,817</u>	

See notes to financial statements.

CITY OF IDA GROVE  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

Exhibit B

	Special Revenue							Total
	General	Road Use	Local Option Sales Tax	Tax Increment Financing	Stimulus	Capital Projects	Nonmajor	
Receipts:								
Property tax	\$ 593,622	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 129,284	\$ 722,906
Tax increment financing	-	-	-	42,301	-	-	-	42,301
Other city tax	29,250	-	175,340	-	-	-	-	204,590
Licenses and permits	6,711	-	-	-	-	-	-	6,711
Use of money and property	32,485	-	-	-	-	-	-	32,485
Intergovernmental	26,637	207,726	-	-	200,000	-	20,925	455,288
Charges for services	140,798	-	-	-	-	-	-	140,798
Miscellaneous	238,924	-	-	-	-	122,124	-	361,048
Total receipts	<u>1,068,427</u>	<u>207,726</u>	<u>175,340</u>	<u>42,301</u>	<u>200,000</u>	<u>122,124</u>	<u>150,209</u>	<u>1,966,127</u>
Disbursements:								
Operating:								
Public safety	475,515	-	-	-	-	-	1,204	476,719
Public works	190,886	266,523	-	-	-	-	39,851	497,260
Health and social services	6,693	-	-	-	-	-	-	6,693
Culture and recreation	348,909	-	-	-	-	-	30,884	379,793
Community and economic development	-	-	-	125,000	-	-	-	125,000
General government	185,528	-	-	-	-	-	26,272	211,800
Debt service	-	-	-	-	-	-	166,612	166,612
Capital Projects	-	-	-	-	-	458,523	-	458,523
Total disbursements	<u>1,207,531</u>	<u>266,523</u>	<u>-</u>	<u>125,000</u>	<u>-</u>	<u>458,523</u>	<u>264,823</u>	<u>2,322,400</u>
Excess (deficiency) of receipts over disbursements	<u>(139,104)</u>	<u>(58,797)</u>	<u>175,340</u>	<u>(82,699)</u>	<u>200,000</u>	<u>(336,399)</u>	<u>(114,614)</u>	<u>(356,273)</u>
Other financing sources (uses):								
Operating transfers in	-	-	-	-	-	-	152,136	152,136
Operating transfers out	-	-	(42,636)	(42,300)	-	-	-	(84,936)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(42,636)</u>	<u>(42,300)</u>	<u>-</u>	<u>-</u>	<u>152,136</u>	<u>67,200</u>
Net change in cash balances	<u>(139,104)</u>	<u>(58,797)</u>	<u>132,704</u>	<u>(124,999)</u>	<u>200,000</u>	<u>(336,399)</u>	<u>37,522</u>	<u>(289,073)</u>
Cash balances beginning of year	<u>600,094</u>	<u>424,207</u>	<u>-</u>	<u>261,789</u>	<u>-</u>	<u>(127,385)</u>	<u>119,337</u>	<u>1,278,042</u>
Cash balances end of year	<u>\$ 460,990</u>	<u>\$ 365,410</u>	<u>\$ 132,704</u>	<u>\$ 136,790</u>	<u>\$ 200,000</u>	<u>\$ (463,784)</u>	<u>\$ 156,859</u>	<u>\$ 988,969</u>

CITY OF IDA GROVE  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

Exhibit B  
 (continued)

	Special Revenue							Total
	General	Road Use	Local Option Sales Tax	Tax Increment Financing	Stimulus	Capital Projects	Nonmajor	
Cash Basis Fund Balances								
Reserved for debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (532)	\$ (532)
Unreserved:								
General fund	460,990	-	-	-	-	-	-	460,990
Special revenue funds	-	365,410	132,704	136,790	200,000	-	157,391	992,295
Capital project fund	-	-	-	-	-	(463,784)	-	(463,784)
<b>Total cash basis fund balances</b>	<u>\$ 460,990</u>	<u>\$ 365,410</u>	<u>\$ 132,704</u>	<u>\$ 136,790</u>	<u>\$ 200,000</u>	<u>\$ (463,784)</u>	<u>\$ 156,859</u>	<u>\$ 988,969</u>

See notes to financial statements.

CITY OF IDA GROVE  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES  
PROPRIETARY FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

Exhibit C

	Enterprise			Total
	Water	Sewer	Garbage	
Operating receipts:				
Charges for services	\$ 282,468	\$ 153,764	\$ 141,079	\$ 577,311
Miscellaneous	4,353	222	-	4,575
Total operating receipts	286,821	153,986	141,079	581,886
Operating disbursements:				
Business type activities	190,956	199,824	139,946	530,726
Excess (deficiency) of operating receipts over operating disbursements	95,865	(45,838)	1,133	51,160
Non-operating disbursements				
Capital projects	-	(207,181)	-	(207,181)
Excess (deficiency) of receipts over disbursements	95,865	(253,019)	1,133	(156,021)
Operating transfers out	(67,200)	-	-	(67,200)
Net change in cash balances	28,665	(253,019)	1,133	(223,221)
Cash balances beginning of year	346,962	270,752	72,614	690,328
Cash balances end of year	<u>\$ 375,627</u>	<u>\$ 17,733</u>	<u>\$ 73,747</u>	<u>\$ 467,107</u>
Cash Basis Fund Balances				
Unreserved	<u>\$ 375,627</u>	<u>\$ 17,733</u>	<u>\$ 73,747</u>	<u>\$ 467,107</u>

See notes to financial statements.

CITY OF IDA GROVE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

City of Ida Grove is a political subdivision of the State of Iowa located in Ida County. It was first incorporated in 1878 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, general government services, and business type activities.

A. Reporting Entity

For financial reporting purposes, City of Ida Grove has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the City.

These financial statements present the City of Ida Grove (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Discretely Presented Component Unit

The Ida Grove Community Rec Center Endowment Trust was established as a non-profit trust in accordance with Section 450.4(2) of the Code of Iowa. The Trust is legally separate from the City but is so intertwined with the City that it is, in substance, the same as the City. The Trust receives donations for maintaining and improving the facilities, programs, and physical plant of the Rec Center and Community building. These donations are to be used for items which are not included in the City's budget.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of or appoint representatives to the following boards and commissions: Ida County Assessor's Conference Board, Ida County Public Safety and Communications Commission, and Ida County Landfill Commission.

Payments made to Ida County Public Safety and Communications Commission during the year ended June 30, 2010, were \$272,951

CITY OF IDA GROVE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and, (2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the main operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges, and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Fund is used to account for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for monies received to be used for property tax relief and community betterment.

The Tax Increment Financing Fund is used to account for urban renewal projects financed by tax increment financing.

The Stimulus Fund is used to account for monies received from the Federal Government to be used for capital projects.

CITY OF IDA GROVE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation - (Continued)

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities with the exception of those financed through Enterprise Funds.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Enterprise, Garbage Fund accounts for the operation and maintenance of the City's system of solid waste removal.

C. Measurement Focus and Basis of Accounting

City of Ida Grove maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the community and economic development function.

2. CASH

The City's deposits in banks at June 30, 2010, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

CITY OF IDA GROVE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

2. CASH – (continued)

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement Number 3, as amended by Statement 40.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

3. BONDS PAYABLE

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30,	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 130,000	\$ 30,948
2012	100,000	25,682
2013	105,000	21,983
2014	110,000	18,045
2015	115,000	13,865
2016-2017	245,000	14,370
	<u>\$ 805,000</u>	<u>\$ 124,893</u>

4. PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.30% of their annual covered salary and the City is required to contribute 6.65% of covered salary. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2010, 2009, 2008, were \$29,223, \$27,474, and \$25,434 respectively, equal to the required contributions for each year.

CITY OF IDA GROVE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

5. COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2010, primarily relating to the General Fund, is as follows:

Type of Benefit

Vacation	\$ <u>18,469</u>
----------	------------------

This liability has been computed based on rates of pay in effect at June 30, 2010.

6. INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2010, is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Special Revenue:	
	Tax Increment Financing	\$ 42,300
	Local Option Sales Tax	42,636
	Enterprise:	
	Water	<u>67,200</u>
		<u>\$ 152,136</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

7. SERVICE AGREEMENTS

The City has an agreement with Ida County Sanitation, Inc. for refuse collection and hauling of solid waste and recyclable materials. Payments under this agreement were \$136,679 for the year ended June 30, 2010.

8. HOSPITAL REVENUE NOTES

The City has issued a total of \$8,860,000 of hospital revenue notes for Horn Memorial Hospital under the provisions of Chapter 419 of the Code of Iowa of which \$7,565,759 is outstanding at June 30, 2010. The bonds and related interest are payable solely from the revenue of the hospital and the bond principal and interest do not constitute liabilities of the City.

9. RISK MANAGEMENT

City of Ida Grove is exposed to various risks of loss related to torts; theft, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

CITY OF IDA GROVE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

10. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description – The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 9 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Principal. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$294-\$842 for single coverage, and \$418 for spouse only coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2010, the City contributed \$40,180 and plan members eligible for benefits contributed \$4,961 to the plan.

11. DEFICIT FUND BALANCE

The Debt Service Fund and the Capital Projects Funds: West Access, Moorehead Bridge, Badger Creek Stabilization, Badger/Hillcrest, and Moorehead Avenue had deficit balances of \$532, \$106,455, \$15,170, \$92,200 \$14,740, and \$284,960, respectively at June 30, 2010. These deficit balances are a result of project costs incurred prior to availability of funds. These deficit balances will be eliminated by special assessments and transfers from other funds.

12. INTERGOVERNMENTAL AGREEMENT

The City entered into an agreement with Ida County to provide for the disposal of solid waste.

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The costs to the County for compliance with these requirements have been estimated at \$378,450 according to the County's latest audit report available which was for the year ended June 30, 2009.

The County has begun to accumulate resources to fund these costs and, at June 30, 2009, assets of \$420,949 are restricted for these purposes.

13. CONSTRUCTION CONTRACTS AND COMMITMENTS

The City has entered into the following contracts which were not completed as of June 30, 2010.

<u>Project</u>	<u>Total Contract Amount</u>	<u>Amount Paid As of June 30, 2010</u>	<u>Remaining Commitment As of June 30, 2010</u>
Hillcrest/Badger Creek life station	\$ 166,200	\$ 145,564	\$ 20,636

The remaining commitment on this project will be financed with funds on hand.

**REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF IDA GROVE  
 BUDGETARY COMPARISON SCHEDULE OF  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES --  
 BUDGET AND ACTUAL (CASH BASIS) -- ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2010

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts		Final To Total Variance
				Original	Final	
Receipts:						
Property tax	\$ 722,906	\$ -	\$ 722,906	\$ 680,354	\$ 680,354	\$ 42,552
Tax increment financing	42,301	-	42,301	42,300	42,300	1
Other city tax	204,590	-	204,590	266,152	266,152	(61,562)
Licenses and permits	6,711	-	6,711	7,040	7,040	(329)
Use of money and property	32,485	-	32,485	16,000	16,000	16,485
Intergovernmental	455,288	-	455,288	219,854	219,854	235,434
Charges for service	140,798	577,311	718,109	656,478	656,478	61,631
Miscellaneous	361,048	4,575	365,623	314,634	314,634	50,989
Total receipts	<u>1,966,127</u>	<u>581,886</u>	<u>2,548,013</u>	<u>2,202,812</u>	<u>2,202,812</u>	<u>345,201</u>
Disbursements:						
Public safety	476,719	-	476,719	356,550	510,000	33,281
Public works	497,260	-	497,260	468,984	530,000	32,740
Health and social services	6,693	-	6,693	8,417	8,417	1,724
Culture and recreation	379,793	-	379,793	411,962	411,962	32,169
Community and economic development	125,000	-	125,000	-	-	(125,000)
General government	211,800	-	211,800	251,086	275,000	63,200
Debt service	166,612	-	166,612	166,213	166,612	-
Capital Projects	458,523	-	458,523	112,500	465,000	6,477
Business type activities	-	737,907	737,907	554,599	762,000	24,093
Total disbursements	<u>2,322,400</u>	<u>737,907</u>	<u>3,060,307</u>	<u>2,330,311</u>	<u>3,128,991</u>	<u>68,684</u>
Excess (deficiency) of receipts over disbursements	(356,273)	(156,021)	(512,294)	(127,499)	(926,179)	413,885
Other financing sources (uses)	<u>67,200</u>	<u>(67,200)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deficiency of receipts and other financing sources over disbursements and other financing uses	(289,073)	(223,221)	(512,294)	(127,499)	(926,179)	413,885
Balance, beginning of year	<u>1,278,042</u>	<u>690,328</u>	<u>1,968,370</u>	<u>788,229</u>	<u>788,229</u>	<u>1,180,141</u>
Balance, end of year	<u>\$ 988,969</u>	<u>\$ 467,107</u>	<u>\$ 1,456,076</u>	<u>\$ 660,730</u>	<u>\$ (137,950)</u>	<u>\$ 1,594,026</u>

See accompanying independent auditor's report.

CITY OF IDA GROVE  
NOTES TO REQUIRED SUPPLEMENTARY  
INFORMATION – BUDGETARY REPORTING  
JUNE 30, 2010

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year ended June 30, 2010 the budget was amended one time which increased budgeted disbursements by \$798,680. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the community and economic development function.

**SUPPLEMENTARY INFORMATION**

CITY OF IDA GROVE  
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

Schedule 1

	Special Revenue				Debt Service	Total
	Employee Benefits	I-Jobs	Emergency Levy	FEMA		
Receipts:						
Property tax	\$ 99,749	\$ -	\$ 15,301	\$ -	\$ 14,234	\$ 129,284
Intergovernmental	-	10,264	-	10,661	-	20,925
Total receipts	<u>99,749</u>	<u>10,264</u>	<u>15,301</u>	<u>10,661</u>	<u>14,234</u>	<u>150,209</u>
Disbursements:						
Operating:						
Public safety	1,204	-	-	-	-	1,204
Public works	39,851	-	-	-	-	39,851
Culture and recreation	30,884	-	-	-	-	30,884
General government	26,272	-	-	-	-	26,272
Debt service	-	-	-	-	166,612	166,612
Total disbursements	<u>98,211</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>166,612</u>	<u>264,823</u>
Excess (deficiency) of receipts over disbursements	1,538	10,264	15,301	10,661	(152,378)	(114,614)
Other financing sources:						
Transfers in	-	-	-	-	152,136	152,136
Net change in cash balances	1,538	10,264	15,301	10,661	(242)	37,522
Cash balances beginning of year	<u>72,113</u>	<u>-</u>	<u>707</u>	<u>46,807</u>	<u>(290)</u>	<u>119,337</u>
Cash balances end of year	<u>\$ 73,651</u>	<u>\$ 10,264</u>	<u>\$ 16,008</u>	<u>\$ 57,468</u>	<u>\$ (532)</u>	<u>\$ 156,859</u>
Cash Basis Fund Balances						
Reserved for debt service	\$ -	\$ -	\$ -	\$ -	\$ (532)	\$ (532)
Unreserved:						
Special revenue funds	<u>73,651</u>	<u>10,264</u>	<u>16,008</u>	<u>57,468</u>	<u>-</u>	<u>157,391</u>
Total cash basis fund balances	<u>\$ 73,651</u>	<u>\$ 10,264</u>	<u>\$ 16,008</u>	<u>\$ 57,468</u>	<u>\$ (532)</u>	<u>\$ 156,859</u>

See accompanying independent auditor's report.

CITY OF IDA GROVE  
SCHEDULE OF INDEBTEDNESS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

Schedule 2

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
General obligation bonds:									
Airport improvement	October 11, 2000	5.00%	\$ 290,000	\$ 70,000	\$ -	\$ 35,000	\$ 35,000	\$ 3,500	\$ -
Corporate purpose	October 1, 2006	3.70-3.90	1,010,000	865,000	-	95,000	770,000	32,712	-
Total				<u>\$ 935,000</u>	<u>\$ -</u>	<u>\$ 130,000</u>	<u>\$ 805,000</u>	<u>\$ 36,212</u>	<u>\$ -</u>

See accompanying independent auditor's report.

CITY OF IDA GROVE  
BOND MATURITIES  
JUNE 30, 2010

Schedule 3

General Obligation Bonds

Year Ending June 30	Airport Improvement		Corporate Purpose		Total
	Issued October 11, 2000		Issued October 1, 2006		
	Rates	Amount	Rates	Amount	
2011	5.00%	\$ 35,000	3.70%	\$ 95,000	\$ 130,000
2012		-	3.70	100,000	100,000
2013		-	3.75	105,000	105,000
2014		-	3.80	110,000	110,000
2015		-	3.80	115,000	115,000
2016		-	3.85	120,000	120,000
2017		-	3.90	125,000	125,000
		<u>\$ 35,000</u>		<u>\$ 770,000</u>	<u>\$ 805,000</u>

See accompanying independent auditor's report.

CITY OF IDA GROVE  
SCHEDULE OF RECEIPTS BY SOURCE AND  
DISBURSEMENTS BY FUNCTION  
ALL GOVERNMENTAL FUNDS  
FOR THE LAST EIGHT YEARS

Schedule 4

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>Receipts:</b>								
Property tax	\$ 722,906	\$ 700,117	\$ 701,960	\$ 635,260	\$ 603,344	\$ 537,045	\$ 542,175	\$ 485,730
Tax increment financing	42,301	43,268	42,211	4	34,908	99,718	96,850	183,235
Other city tax	204,590	72,214	27,497	60,731	44,748	41,729	38,314	40,097
Licenses and permits	6,711	6,606	7,979	7,921	6,870	9,008	6,369	2,190
Use of money and property	32,485	51,975	73,213	77,191	63,353	47,954	34,949	42,552
Intergovernmental	455,288	222,154	452,118	472,970	291,748	237,346	232,944	344,280
Charges for service	140,798	240,967	211,320	202,664	203,660	196,288	172,165	15,733
Special assessments	-	-	1,298	542	578	2,043	7,614	4,878
Miscellaneous	361,048	486,841	245,726	128,480	132,011	210,108	473,297	1,019,413
<b>Total</b>	<u>\$1,966,127</u>	<u>\$1,824,142</u>	<u>\$1,763,322</u>	<u>\$1,585,763</u>	<u>\$1,381,220</u>	<u>\$1,381,239</u>	<u>\$1,604,677</u>	<u>\$2,138,108</u>
<b>Disbursements:</b>								
<b>Operating:</b>								
Public safety	\$ 476,719	\$ 306,370	306,781	\$ 325,842	280,524	257,594	\$ 254,600	\$ 260,739
Public works	497,260	309,886	420,950	427,731	325,179	295,948	330,013	389,524
Health and social services	6,693	6,819	7,464	10,040	20,328	20,763	17,506	21,241
Culture and recreation	379,793	572,838	373,495	376,070	383,305	317,698	258,039	1,187,576
Community and economic development	125,000	-	-	-	-	-	-	-
General government	211,800	197,899	213,503	218,002	188,092	180,540	173,439	161,296
Debt service	166,612	161,443	182,727	112,965	90,965	131,605	131,715	136,805
Capital projects	458,523	72,891	158,749	505,168	207,824	466,939	438,145	-
<b>Total</b>	<u>\$2,322,400</u>	<u>\$1,628,146</u>	<u>\$1,663,669</u>	<u>\$1,975,818</u>	<u>\$1,496,217</u>	<u>\$1,671,087</u>	<u>\$1,603,457</u>	<u>\$2,157,181</u>

See accompanying independent auditor's report.

HUNZELMAN, PUTZIER & CO., PLC  
CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.  
RICHARD R. MOORE, C.P.A.  
WESLEY E. STILLE, C.P.A. (RETIRED)  
KENNETH A. PUTZIER, C.P.A. (RETIRED)  
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Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance with Government Auditing Standards

To the Honorable Mayor and  
Members of the City Council  
Ida Grove, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Ida Grove, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated February 21, 2011. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Ida Grove's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Ida Grove's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Ida Grove's internal control over financial reporting.

Our consideration of internal control over financial reporting was for limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-10, I-B-10, I-C-10, and I-D-10 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control, which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Ida Grove's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Ida Grove's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit City of Ida Grove's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of City of Ida Grove, and other parties to whom City of Ida Grove may report. This report is not intended to be and should not be used by anyone other than these specified parties.

February 21, 2011

*Henzelman, Putzger & Co.*

CITY OF IDA GROVE  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2010

Part I: Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-10 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that bank deposits, opening mail, recording receipts and disbursements, checks and payroll preparation, and bank reconciliations are all handled by either of two individuals.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - The City continually monitors accounting procedures and in a small office it is difficult to near impossible to have segregation of duties. However, when fully staffed there are three employees available to divide the work so it isn't all done by two people.

Conclusion - Response accepted.

I-B-10 Fire Department, Library and Centennial Commission Funds - The Fire Department, Library and Centennial Commission currently maintain bank accounts which are not included in the City's financial records. These do not appear to be separate non-profit corporations, but may be departments of the City. Chapter 384.20 of the Iowa Code states in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose, by any city officer, employee, or other person, and which show the receipt, use, and disposition of all city property. Public moneys may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation - These funds should be included in the City's financial records and any disbursements should be budgeted.

Response - The City, fire department, and auditor met last December and discussed record keeping for the fire department's budget that comes from taxes from the City and rural townships. To assure this money is spent appropriately it will be set-up in a certificate of deposit for the fire department. Also, per the auditor's explanation regarding the fire department not designated by the IRS as a non-profit, it was agreed to have all fire department money in a separate savings account. Regarding the library, the City Attorney will be asked to work with the Library Director to research if library accounts have the City identification number, and whether this is appropriate for library fundraising organizations. In regards to the Centennial Commission funds a meeting will be scheduled to review their non-profit status.

Conclusion - Response accepted.

CITY OF IDA GROVE  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2010

Part I: Findings Related to the Financial Statements: (Continued)

INTERNAL CONTROL DEFICIENCIES: (continued)

I-C-10 Financial Reporting – We noted that while management is capable of preparing accurate financial statements that provide information sufficient for City council members to make management decisions, reporting financial data reliably in accordance with an other comprehensive basis of accounting (OCBOA) requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. Management presently lacks the qualifications and training to appropriately fulfill these responsibilities, which is a common situation in small entities.

Recommendation – Obtaining additional knowledge through reading relevant accounting literature and attending local professional education courses should help management significantly improve in the ability to prepare and take responsibility for reliable OCBOA financial statements.

Response – The City Council is committed to employee training to expand their knowledge base. Also, City staff supplements their knowledge by employing certified accounting personnel to prepare year-end financial statements or any necessary financial statements.

Conclusion – Response accepted.

I-D-10 Reconciliation of Utility Billings, Collections, and Delinquencies - Utility billings, collections, and delinquent accounts were not reconciled throughout the year.

Recommendation - Procedures should be established to reconcile utility billings, collections, and delinquencies for each billing period. The Council or a Council-designated independent person should review the reconciliations and monitor delinquencies.

Response – Procedures will be established to reconcile utility billings, collections, and delinquencies for each billing period, and a system will be set-up with the Council to write-off uncollectible debt.

Conclusion – Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-10 Certified Budget - Disbursements during the year ended June 30, 2010, exceeded the amount budgeted in the community and economic development function. Chapter 384.20 of the Code of Iowa states in part that public moneys may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The City Clerk will be more careful and review disbursements to amend the budget appropriately in the proper time rather than at the end of the fiscal year.

Conclusion – Response accepted.

II-B-10 Questionable Disbursements – We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

CITY OF IDA GROVE  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2010

Part II: Other Findings Related to Required Statutory Reporting: (Continued)

- II-C-10 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-10 Business Transactions - We noted no business transactions between the City and City officials or employees.
- II-E-10 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-10 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-G-10 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- II-H-10 Excess Balances - The following funds have balances at June 30, 2010, in excess of one year's expenditures:

Special Revenue - Road Use  
- I-Jobs  
Emergency Levy  
- Local Option Sales Tax  
- Stimulus

Recommendation - While it appears that these funds may have an excessive balance, this can usually be justified if the City has a specific plan for future expenditures. The City should consider the necessity of maintaining these substantial balances and, where financially feasible, consider reducing the balances in an orderly manner through revenue reductions.

Response - The City plans on utilizing excess funds in Road Use for street repairs and/or new street construction, and to buy equipment for the Street Department. As far as I-Jobs, Emergency Levy, Local Option Sales Tax, and Stimulus, these funds need to have transfers to reflect spending on appropriate expenditures and the City Clerk will seek guidance from the auditor on the transfers.

Conclusion - Response accepted.

- II-I-10 Financial Condition - At June 30, 2010, the City had deficit balances in the Debt Service Fund and the Capital Projects Funds: West Access, Moorehead Bridge, Badger Creek Stabilization, Badger/Hillcrest, and Moorehead Avenue of \$532, \$106,455, \$15,170, \$92,200 \$14,740, and \$284,960, respectively.

Recommendation - The City should investigate alternatives to eliminate these deficits in order to return the funds to a sound financial condition.

Response - The City will review the deficit balances and transfer funds as appropriate.

Conclusion - Response accepted.